

3. Walmart participated in this proceeding through counsel and by sponsoring the expert testimony of Steve W. Chriss.¹ Walmart's participation in this proceeding was limited to addressing issues relating to rate spread and rate design, and Walmart does not take a position on Pacific Power's revenue requirement. Walmart respectfully requests that the Commission adopt its rate spread proposal to move customer classes closer to cost of service, adopt Pacific Power's proposal to unbundle rates, and adopt Walmart's rate design proposal for Schedule 36 as summarized herein.

II. ARGUMENT

A. The Commission Should Adopt a Rate Spread That Moves Rates Closer to Cost of Service.

4. Generally, a desirable rate structure should satisfy the following three primary criteria:

1. Effectiveness in yielding total revenue requirements under the fair return standard;
2. Fairness in the apportionment of total costs of service among different consumers; and
3. Efficiency in discouraging wasteful use of services while promoting all justified types and amounts of use, in view of the relationships between costs incurred and benefits received.²

5. In addition, secondary to the above, the following criteria also contribute to a socially and economically optimal rate design:

1. Practicality in terms of simplicity, certainty, understandability, public acceptability, freedom from controversy as to interpretation, and feasibility of application;
2. Stability and predictability of (a) revenues from year to year, with a minimum of unexpected changes seriously adverse to the utility; and

¹ See Responsive Testimony and Exhibits of Steve W. Chriss, Exhibit No. SWC-1T.

² See Charles F. Phillips, Jr., *The Regulation of Public Utilities* (Arlington, Virginia: Public Utilities Reports, Inc., 1984), at 381 (citing James C. Bonbright, *Principles of Public Utility Rates* (New York: Columbia University Press, 1961), at 292).

(b) of the rates themselves, with a minimum of unexpected changes seriously adverse to ratepayers and with a sense of historical continuity; and

3. Avoidance of undue discrimination in rate relationships, so as to be, if possible compensatory, that is, without intercustomer subsidy and burdens.³

6. Applying the principles outlined above, including the principle that differences in rates should be based on differences in costs, the Commission should establish a rate spread and rate design in this proceeding with an eye towards moving the customer classes closer to cost of service.

7. As a general matter, Walmart advocates that rates be set based on the utility's cost of service as doing so yields equitable rates that reflect cost causation, sends proper price signals, and minimizes price distortions.⁴ One measure of Pacific Power's underlying cost causation is through Pacific Power's rate of return index ("RRI"), which is a measure of the relationship of the rate of return for an individual rate class to the total system rate of return. Pacific Power's RRI indicates that Pacific Power's proposed revenue allocation does not move customer classes closer to cost of service.⁵

8. According to Pacific Power's RRI, Schedule 24, Schedule 36, Schedule 48T,⁶ Schedule 40 – Agricultural Pumping, and Schedules 15, 52, 54, and 57 – Street Lighting, are paying rates in excess of the respective costs of incurred to service those classes.⁷ Accordingly,

³ *Id.*, at 380-381; *see also* James C. Bonbright, Albert L. Danielsen and David R. Kamerschen, *Principles of Public Utility Rates* (Arlington, Virginia: Public Utilities Reports, Inc., 2nd Ed. 1988), at 383-84.

⁴ Responsive Testimony of Steve W. Chriss, Exhibit No. SWC-1T, at p. 5, lines 7-9.

⁵ *Id.* at p. 5, lines 17-23.

⁶ Excluding 48T-Dedicated Facilities, which is paying rates below its cost of service.

⁷ Chriss Testimony, *Supra* n. 1 at p. 6, lines 4-8.

increases to these customer classes would need to be below the Washington jurisdictional average in order to move these classes closer to cost of service.⁸

9. In order to bring customer classes closer to cost of service, the Commission should adopt a rate spread that allocates any approved rate increases such that Schedule 36 and Schedule 48T (excluding dedicated facilities) receive an increase at no more than the jurisdictional average. Doing so will act to bring Pacific Power's customer classes closer to cost of service.

B. The Commission Should Adopt Pacific Power's Proposal to Unbundle Rates and Reflect Such Changes on Customer Bills.

10. Pacific Power proposes to unbundle rates by presenting rates in the tariff broken out by generation non-NPC, generation NPC, transmission, and distribution functions.⁹ Walmart supports Pacific Power's proposal but believes the Commission should require Pacific Power to reflect the unbundled rates in customer bills. In the alternative, if the Commission does not require Pacific Power to reflect the unbundled rates on customer bills, Walmart requests that the Commission adopt a timeline for Pacific Power to implement Walmart's proposal to reflect unbundled rates on customer bills.

C. The Commission Should Adopt Schedule 36 Charges That Reflect the Underlying Cost-of Service.

11. As explained above in paragraphs 4 – 7, the Commission should adopt rates that are reflective of the actual cost of each schedule. In addition, and as a result of the same ratemaking principles, the underlying charges for each component within a rate schedule should be set according to the contribution of those charges to the costs of the schedule. Pacific Power's current and proposed Schedule 36 charges are not reflective of the underlying cost of service and

⁸ *Id.* at p. 6, lines 7-8.

⁹ *See* Direct Testimony of Joelle R. Steward, p. 15, lines 17-23.

are disproportionately weighted towards collection of energy-related costs and, as a result, under collect demand related costs.¹⁰

12. In addition to violating cost causation principles, Pacific Power's proposed charges for Schedule 36 would result in an unwarranted cost shift in transmission and generation demand cost responsibility from lower load factor customers to higher load factor customers, and results in a misallocation of cost responsibility, as higher load factor customers overpay for the demand-related transmission and generation costs incurred by the company.¹¹

13. In order to prevent unwarranted cost shifting from low load factor customers to higher load factor customers, and to satisfy cost causation principles, Walmart respectfully requests that the commission adopt its proposal for Schedule 36 charges:

- i. Set the unbundled generation (non-NPC) demand charge and transmission demand charge at 50 percent of their cost-based levels;
- ii. Accept the energy charge block structure and price ratio as proposed by Pacific Power;
- iii. Reduce the generation (non-NPC) energy charge revenue requirement by an amount equal to the demand charge revenue requirement increase; and
- iv. Reflect any reductions in Schedule 36 revenue requirement from Pacific Power's filed proposal by reducing the generation (non-NPC) energy charges and transmission energy charges.¹²

//

//

¹⁰ See Chriss Testimony, Supra n. 1 at p. 11, lines 10-18.

¹¹ *Id.* at p. 13, lines 12-18.

¹² See Chriss Testimony, Supra n. 1 at pp. 15 – 18.

III. CONCLUSION

14. Walmart's proposals, as detailed herein, reflect a move towards compliance with cost causation principles and transparency in rates in Pacific Power's Washington service territory. Accordingly, Walmart respectfully asks that the Commission adopt its proposals addressing rate spread, unbundled rates, and allocation of Schedule 36 charges.

DATED: January 22, 2015

HUTCHINSON, COX, COONS,
ORR & SHERLOCK, P.C.

/s/ Samuel L. Roberts

Samuel L. Roberts
PO Box 10886
Eugene, OR 97440
sroberts@eugenelaw.com
(541) 686-9160
(541) 343-8693 (Fax)

Of Attorneys for Wal-Mart Stores, Inc.

CERTIFICATE OF SERVICE

Docket UE-140762

I hereby certify that I have this day served the foregoing *Post-Hearing Brief* of Wal-Mart Stores, Inc. upon all parties of record in this proceeding, shown below, by causing the same to be mailed, postage-prepaid, through U.S. Mail and E-Mail.

<p><i>PacifiCorp d/b/a Pacific Power & Light Company</i></p> <p>Bryce R. Dalley Vice President, Regulation PacifiCorp d/b/a Pacific Power & Light Company 825 N.E. Multnomah, Suite 2000 Portland, OR 97232 bryce.dalley@pacificorp.com</p> <p>Sarah K. Wallace Senior Counsel Pacific Power & Light Company 825 N.E. Multnomah, Suite 1800 Portland, OR 97232 sarah.wallace@pacificorp.com</p> <p>Pacific Power & Light Company Washington Dockets 825 N.E. Multnomah, Suite 2000 Portland, OR 97232 washingtondockets@pacificorp.com</p> <p>Katherine McDowell Adam Lowney McDowell, Rackner & Gibson PC 419 S.W. Eleventh Avenue, Suite 400 Portland, OR 97205 Katherine@mcd-law.com adam@mcd-law.com</p>	<p><i>Washington Utilities & Transportation Commission</i></p> <p>Brett Shearer Patrick Oshie Jennifer Cameron-Rulkowski Assistant Attorney General Office of the Attorney General Utilities and Transportation Division 1400 S. Evergreen Park Drive S.W. Olympia, WA 98504 bshearer@utc.wa.gov poshie@utc.wa.gov jcameron@utc.wa.gov</p>
---	---

<p><i>The Alliance for Solar Choice</i></p> <p>Kathleen D. Kapla Joseph Wiedman Keyes, Fox & Wiedman, LLP c/o Kapla Law, PLLC 8205 31st Avenue N.E. Seattle, WA 98115 kkapla@kfwlaw.com jwiedman@kfwlaw.com</p>	<p><i>Boise White Paper, LLC</i></p> <p>Melinda J. Davison Joshua D. Weber Jesse E. Cowell Davison Van Cleve, P.C. 333 S.W. Taylor, Suite 400 Portland, OR 97204 mjd@dvclaw.com jdw@dvclaw.com jec@dvclaw.com</p>
<p><i>The Energy Project</i></p> <p>Charles Eberdt The Energy Project Opportunity Council 3406 Redwood Avenue Bellingham, WA 98225 chuck_eberdt@oppco.org</p> <p>Brad M. Purdy Attorney at Law 2019 N. 17th Street Boise, ID 83702 bmpurdy@hotmail.com</p>	<p><i>Public Counsel</i></p> <p>Simon ffitc Office of the Attorney General 800 Fifth Avenue, Suite 2000 Seattle, WA 98104-3188 simonf@atg.wa.gov</p> <p>Lisa W. Gafken Office of the Attorney General 800 Fifth Avenue, Suite 2000 Seattle, WA 98104-3188 Lisaw4@atg.wa.gov</p>
<p><i>Industrial Customers of Northwest Utilities Packaging Corporation of America</i></p> <p>Melinda Davison Tyler Pepple Davison Van Cleve 333 S.W. Taylor, Suite 400 Portland, OR 97204 mjd@dvclaw.com tcp@dvclaw.com</p>	

/////

/////

/////

/////

/////

DATED this 22nd day of January, 2015.

HUTCHINSON, COX, COONS,
ORR & SHERLOCK, P.C.

By: /S/ Samuel L. Roberts
Samuel L. Roberts, OSB No. 115034
PO Box 10886
Eugene, OR 97440
sroberts@eugenelaw.com
(541) 686-9160
(541) 343-8693 (Fax)
Of Attorneys for Wal-Mart Stores, Inc.